

1 allowing Verizon to have an independent POI from
2 AT&T.

3 So, under AT&T's proposal, Verizon would
4 not be required to interconnect to AT&T at the POI
5 AT&T selects for its own traffic, giving Verizon
6 somewhat more freedom and possibly a more efficient
7 arrangement.

8 MR. EDWARDS: Is that arrangement what's
9 being addressed in 1.3?

10 MR. TALBOTT: All right. Yes.

11 MR. EDWARDS: Perhaps my confusion results
12 from this. You originally filed testimony;
13 correct? In your name only.

14 MR. TALBOTT: Yes.

15 MR. EDWARDS: On issue 1.1.

16 And then after the rebuttal testimony was
17 filed, you filed revised direct testimony and added
18 Mr. Schell and made some other corrections;
19 correct?

20 MR. TALBOTT: Yes.

21 MR. EDWARDS: Then last night I got
22 corrections to your testimony, and I believe I'm

1 the establishment of that POI has to be by mutual
2 agreement; and absent mutual agreement, AT&T
3 chooses where it is; is that right? Or it defaults
4 to the AT&T switch?

5 MR. TALBOTT: It defaults to the AT&T
6 switch.

7 MR. EDWARDS: All right. Now,
8 post-competition scenario number one. AT&T switch
9 is located in Roanoke, the parties have not been
10 able to agree on the location of the Verizon POI.
11 It defaults under this language to the AT&T switch
12 in Roanoke; is that correct?

13 MR. TALBOTT: That would be correct.

14 MR. EDWARDS: And in post-competition one
15 scenario, Staunton caller B is now an AT&T local
16 market customer. Are you with me?

17 MR. TALBOTT: So we have Verizon
18 originating customer in Staunton, and AT&T customer
19 to which the call is going to terminate in
20 Staunton?

21 MR. EDWARDS: That's correct.

22 MR. TALBOTT: Okay.

1 MR. EDWARDS: All right. Now, caller A
2 wants to place the same call to caller B: That
3 call will not stay within the local calling area in
4 Staunton, but instead will travel to the AT&T
5 switch, which is also the Verizon POI in Roanoke,
6 and be terminated on the AT&T network; correct?

7 MR. TALBOTT: That's correct.

8 MR. EDWARDS: And under AT&T's proposal,
9 Verizon would be responsible for all the costs it
10 incurs to carry that call from Staunton to Roanoke;
11 correct?

12 MR. TALBOTT: Yes.

13 MR. EDWARDS: And in terms of revenue,
14 Verizon still receives basic local telephone
15 revenue from caller A, but no longer receives that
16 revenue from caller B; correct?

17 MR. TALBOTT: That's correct.

18 MR. EDWARDS: When Verizon terminates that
19 call or delivers that call to be terminated on the
20 AT&T network, Verizon also pays less recip comp
21 charges; correct?

22 MR. TALBOTT: Must cover AT&T's costs for

1 calls terminating on Verizon's network.

2 MR. EDWARDS: So, the difference between
3 scenario one and scenario two is that Verizon has
4 lost basic local revenue from customer B, and has
5 incurred the cost of transport to call from
6 Staunton to Roanoke and has incurred the costs of
7 recip comp to AT&T?

8 MR. TALBOTT: The point that you left out
9 was that--

10 MR. EDWARDS: Is that correct? And then
11 you can answer.

12 MR. TALBOTT: No, it's not correct.

13 MR. EDWARDS: All right.

14 MR. TALBOTT: Because what you left out of
15 that description is that prior to the advent of
16 competition, Verizon had costs to terminate to
17 traffic. Verizon still has costs to terminate that
18 traffic. It compensates AT&T reciprocal
19 compensation for doing that on Verizon's behalf.

20 So, the difference between before and
21 after competition is the costs to deliver the
22 traffic to the AT&T point of interconnection.

1 MR. EDWARDS: But the other factor to
2 consider, Mr. Talbott, is that prior to
3 competition, Verizon had local revenue coming from
4 two sources, and after competition it has it only
5 coming from one.

6 MR. TALBOTT: That's irrelevant. That's
7 competition in the marketplace.

8 MR. EDWARDS: Now, you would agree with
9 me, Mr. Talbott, depending on AT&T's penetration in
10 the local market, Verizon's transport obligations
11 could become significant?

12 MR. TALBOTT: I'm not certain how to
13 characterize what significant could be. I don't
14 think I could answer that.

15 MR. EDWARDS: Well, in fact, there is, I
16 believe, under your proposal--there is no threshold
17 of traffic.

18 MR. TALBOTT: I'm sorry, go ahead.

19 MR. EDWARDS: Under AT&T's proposal, there
20 is no threshold of traffic in that instance that
21 AT&T is willing to commit to in order to locate a
22 second switch or a second POI within the LATA; is

1 that correct?

2 MR. TALBOTT: That's correct because there
3 is no provision under the law under which the
4 threshold of traffic under which the CLEC becomes
5 obligated to bear Verizon's originating or
6 transport costs. Simply, the law says that each
7 party receiving the caller's revenue pays to
8 originate transport and terminate that call. There
9 is no threshold at which that then changes hands.

10 MR. EDWARDS: Okay. I understand that's
11 certainly your view. So, my question is, if, in
12 fact, there is no threshold which AT&T agrees to
13 locate additional facilities in the LATA, then
14 don't you agree that Verizon's transport
15 obligations and recip comp obligations could become
16 significant?

17 MR. TALBOTT: When you look at this cost
18 on a per line basis, it's nothing. I mean, when we
19 did our cost analysis we attached to our testimony
20 shows that the cost per line for interconnection to
21 Verizon is a tenth of a cent, a seventh of a cent
22 per line per month, the cost to AT&T under the very

1 best scenario under AT&T's own proposal is 41 cents
2 a line, and under Verizon's proposal we estimated
3 it could be as high as \$7.88, almost \$8 a line.

4 So, when we want to talk about costs to a
5 party to interconnect, let's talk about the whole
6 picture, which is if there's going to be
7 competition in Virginia, we can't compete at \$8 a
8 line in interconnection costs when Verizon is
9 proposing for its something less than a cent, tenth
10 of a cent.

11 MR. EDWARDS: We are talking about the
12 quantification in a minute, but right now let's
13 just talk about the fact that there are additional
14 costs. We may quibble about the amount, but you
15 have to agree with me, don't you, that there are
16 additional costs that Verizon incurs.

17 MR. TALBOTT: That's the costs of
18 competition, yes. Verizon, in order to
19 interconnect with other LECs in the marketplace
20 needs to deliver its traffic, so it didn't have
21 costs to interconnect prior to competition. But
22 let's be clear: It's not the CLECs that are

1 causing this interconnection cost to Verizon. It's
2 the law of the land now there is going to be
3 competition in local telephony, and Verizon needs
4 to bear the expense to allow that competition to
5 occur.

6 MR. EDWARDS: It's not your testimony that
7 if there is no interconnection with CLECs that
8 those costs nevertheless accrue, is it?

9 I could restate it simply.

10 If there is no interconnection from a
11 CLEC, Verizon would not incur those costs, is it?

12 MR. TALBOTT: No, it would not.

13 MR. EDWARDS: Let's talk about the
14 transport costs for a minute. Let me ask you to
15 look at your nonmediated rebuttal testimony, which
16 is Exhibit 8.

17 MR. TALBOTT: Could I have a page
18 reference?

19 MR. EDWARDS: Page nine.

20 MR. TALBOTT: Of the rebuttal testimony?

21 MR. EDWARDS: Yes, sir.

22 MR. TALBOTT: On the nonmediated issues?

1 MR. EDWARDS: That's correct.

2 MR. TALBOTT: Okay.

3 MR. EDWARDS: Now, while you're looking at
4 that, Dr. Collins, let me ask you a question on
5 this issue. You don't agree with Mr. Talbott with
6 respect to his testimony he just gave regarding the
7 costs, do you?

8 DR. COLLINS: Not entirely.

9 MR. EDWARDS: What is your view of that
10 issue, sir?

11 DR. COLLINS: Well, he agreed that absent
12 competition, Verizon would have no cost to
13 transport traffic. My position is that they do
14 have cost. If you use the AD 20 rule with
15 20 percent of the total traffic overflowing through
16 the tandem, that cost would have to be distributed
17 across outline of the traffic in order to determine
18 what that cost is on a per line basis, and I don't
19 know what that number is.

20 In addition, as Mr. Talbott correctly
21 pointed out, the LATA costs that Verizon must cover
22 which do not exist because in the case AT&T is

1 covering that termination costs, how that all sums
2 out and what the balance is, I do not know, but
3 those costs are at present, and they should be
4 accounted for in order to answer that question
5 totally and properly.

6 MR. EDWARDS: You don't disagree, however,
7 that there are incremental costs, and those
8 incremental costs from competition are what we are
9 talking about here? They're incremental transport
10 costs, and there are incremental termination costs.

11 DR. COLLINS: There are incremental
12 transport and incremental termination costs.
13 However, the very choice of the word incremental
14 means that the--implies that a mathematical
15 derivative of the class versus time function. And
16 to the extent these incremental costs exist,
17 network grooming in the intermediate and long term
18 should be able to rearrange network structures in
19 order to minimize those incremental costs if not
20 drive them to answer.

21 So, I agree there will be short-term cost
22 differentials, but once again, I don't know how

1 they would net out.

2 MR. EDWARDS: Let me ask you to look at
3 page nine of your direct testimony, Dr. Collins.

4 MS. FARROBA: What's the exhibit number?

5 MR. EDWARDS: This is Exhibit 1, Cox
6 Exhibit 1. There are only two. His direct is one,
7 and his rebuttal is two.

8 MS. FARROBA: For record purposes.

9 MR. EDWARDS: That's right. Those are the
10 two easiest ones for me to keep up with.

11 DR. COLLINS: I have it.

12 MR. EDWARDS: Are you there? Line 13.

13 One of the things you do in your
14 testimony, Dr. Collins, is you try to distinguish
15 the Cox proposal here from the WorldCom and AT&T
16 proposal; is that correct? Not only on this page,
17 but in your testimony.

18 DR. COLLINS: I think that's fair to say,
19 yes.

20 MR. EDWARDS: On line 13 on page nine
21 there, you acknowledge that there are costs to
22 Verizon for lengthy interconnection; is that

1 correct?

2 DR. COLLINS: It points out that the rack
3 costs were not significant? It points out that
4 there are costs associated with, quote, lengthy
5 interconnection links, unquote, but not significant
6 in its interconnection with CLECs.

7 MR. EDWARDS: It's not that the costs are
8 insignificant. It's because your testimony is that
9 the interconnection proposal by Cox makes those
10 costs not significant; correct?

11 DR. COLLINS: Yes, I think that's fair to
12 say.

13 MR. EDWARDS: Then your position on I-2,
14 Dr. Collins, it's Cox's position that, in fact,
15 there should be a distance-sensitive component for
16 transport; correct?

17 DR. COLLINS: That is the end result of
18 Cox's position, but the substance of that issue is
19 different than I think your implication suggests.
20 That issue addresses the distinction between a
21 service that Verizon offers and has tariffed, which
22 is so-called cap E Entrance, capital L Links with

1 Facilities, capital F, a service that CLECs offers,
2 which a small E entrance and small F facilities.
3 Cox's service is--has two components. A flat rate
4 and a distance-sensitive rate.

5 Verizon also has a "pron" prior to that,
6 but Cox does not have in its tariff--and that is a
7 capital E Entrance, capital F Facility--offering,
8 and that is the substance of the issue in I-2.

9 MR. EDWARDS: I will admit that I did not
10 understand that answer, but let me ask you this
11 way: Is it your testimony that transport sometimes
12 should be mileage-sensitive and something shouldn't
13 issue?

14 DR. COLLINS: If you pose that question
15 outside of issue II, the answer, and you base the
16 answer on your tariff, the answer is yes.

17 MR. EDWARDS: Mr. Talbott, let me come
18 back to you. I had referenced you, I think, to
19 Exhibit 8, page nine. Are you there?

20 MR. TALBOTT: Yes, I am.

21 MR. EDWARDS: There you have included what
22 you believe are Verizon's proposed transport

1 charges for DS1 and DS3?

2 MR. TALBOTT: I don't believe they were
3 proposed. I think they were based on the UNE
4 tariff I had available to me at the time this
5 testimony was prepared.

6 MR. EDWARDS: This testimony was prepared,
7 I think it's dated September 10th; correct?

8 MR. TALBOTT: Yes.

9 MR. EDWARDS: Did you look at Verizon's
10 proposed costs in this docket?

11 MR. TALBOTT: I didn't have them readily
12 available, so I used the current UNE tariff.

13 MR. EDWARDS: May I ask that this be
14 marked as Exhibit 47.

15 (Verizon Exhibit No. 47 was
16 marked for identification.)

17 MR. EDWARDS: What has been marked as
18 Verizon Exhibit 47 is a portion of Verizon cost
19 testimony filed on July 31, which it will become
20 part of this record, if it's not already a part of
21 it.

22 But what I did here, Mr. Talbott, is I

1 copied the cover page from a cost study, and where
2 I would like to draw your attention to is what's
3 Bates numbered at the bottom Verizon Virginia
4 002453.

5 Do you have that?

6 MR. TALBOTT: Yes, I do.

7 MR. EDWARDS: This was filed in July, and
8 your rebuttal testimony is filed in September.

9 Would you agree with me here that
10 Verizon's proposal in this docket is for
11 mileage-sensitive transport costs of DS1 and DS3
12 and other levels?

13 MR. TALBOTT: That Verizon is proposing
14 that UNE-dedicated transport have a
15 distance-sensitive component is your question?

16 MR. EDWARDS: Yes, sir.

17 MR. TALBOTT: It would appear that's
18 correct.

19 MR. EDWARDS: If that proposal is adopted
20 or some form of that proposal is adopted, you agree
21 with me that the table that you have on page nine
22 of your rebuttal testimony would need to be fixed

1 or altered?

2 MR. TALBOTT: If the Commission did adopt
3 those proposed rates, they would warrant--my
4 rebuttal testimony would have to be revised, but we
5 are working off of current rates.

6 MR. EDWARDS: I ask that Exhibit 47 be
7 moved into the record.

8 Why don't I go ahead and ask the same
9 thing for Exhibit 46.

10 ARBITRATOR ATTWOOD: Mr. Keffer.

11 MR. KEFFER: I would only note there is
12 probably no need to admit 47 into the record. I
13 think this information is already part of the
14 record. But I don't have any strong feelings one
15 way or the other.

16 MR. EDWARDS: I think it will become part
17 of the record, I guess, at the prehearing
18 conference on cost studies, so that there was no
19 question of whether it was part of the record yet
20 or not.

21 MR. DYGERT: Apparently, this is not
22 currently part of the record, so I think at the

1 risk of being duplicative, we will go ahead and
2 admit it.

3 (Verizon Exhibit No. 47 was
4 admitted into evidence.)

5 MR. DYGERT: I take it there is no
6 objection to the map marked as Verizon Exhibit 46?

7 MR. KEFFER: No objection.

8 MR. DYGERT: Okay, both of those are
9 admitted. Thank you.

10 (Verizon Exhibit No. 46 was
11 admitted into evidence.)

12 MR. EDWARDS: May I ask you to look at
13 Exhibit 8, page 11, lines 20 to 23, Mr. Talbott.

14 MR. DYGERT: What page?

15 MR. EDWARDS: Page 11.

16 MR. TALBOTT: Yes, sir.

17 MR. EDWARDS: Under the hypothetical to
18 the scenarios we have been discussing, and your
19 citation there of the South Carolina PSC decision
20 with which you disagree, is it fair to say that you
21 do not believe that the additional costs resulting
22 from interconnection should be borne solely by the

1 competitor?

2 MR. TALBOTT: To answer your question, we
3 need to be specific as to what interconnection
4 costs we are talking about. The competitor in this
5 case, AT&T, is fully willing to pay the costs to
6 originate, transport, terminate its own traffic.
7 We are not asking, and Verizon and AT&T have agreed
8 on this matter, AT&T will be responsible for its
9 own traffic.

10 To the extent we are talking about traffic
11 originating on Verizon's network, that should be
12 Verizon's obligation, and if there are, based on
13 Verizon's point of interconnection that's selected,
14 has some additional costs, those are Verizon's to
15 bear.

16 MR. EDWARDS: You say point of
17 interconnection that's selected. You mean selected
18 by mutual agreement or if no mutual agreement
19 defaults to the AT&T switch?

20 MR. TALBOTT: That's correct.

21 MR. EDWARDS: Let's go back to the JDPL
22 for a minute, Mr. Talbott. Look, if you would,

1 at--would you look at 12 and 13. And what I would
2 like you to do is look at 15 for a minute. Why
3 don't you look at that for a minute, and I have a
4 question.

5 MR. TALBOTT: I read it. Go ahead.

6 MR. EDWARDS: 15 addresses again the
7 situation of traffic originating on the Verizon
8 network; is that correct?

9 MR. TALBOTT: It could be referencing
10 either party's traffic, so if AT&T is saying AT&T
11 selects a POI that is not at the terminating
12 switch, AT&T is in agreement to pay either the
13 common transport or dedicated transport costs of
14 that traffic that Verizon provides to terminate the
15 traffic on our behalf.

16 And likewise, if Verizon selects a POI
17 that's remote from AT&T's switch, Verizon should
18 pay the transport to take that traffic from the
19 AT&T POI to the AT&T switch.

20 MR. EDWARDS: So, in the latter example,
21 then, you agree with me that this language
22 contemplates a distinction between a POI and an IP?

1 MR. TALBOTT: I'm sorry? I was
2 distracted? Would you repeat the question?

3 MR. EDWARDS: In the latter example you
4 gave, which I think is Verizon-originated traffic,
5 if this language in 15 applies, you would agree
6 with me that it contemplates a distinction between
7 the POI and the IP?

8 MR. TALBOTT: The IP has Verizon proposed
9 in its contract? Because there is no language in
10 AT&T's contract language that we are referencing
11 here.

12 MR. EDWARDS: That's sort of my question
13 here with respect to this language. If I
14 understand what's being contemplated here, it would
15 be a physical point of interconnection, a POI, but
16 the point where financial responsibility, the
17 demarcation of financial responsibility is actually
18 not at the physical point of interconnection but at
19 a distant switch; is that correct?

20 MR. TALBOTT: Yes, that's exactly the
21 regime the FCC has in place today where the
22 originating carrier's responsible to bring its

1 traffic on its own network to the POI, and
2 compensates the terminating carrier for its costs
3 to transport and terminate the traffic.

4 So, for example, AT&T and Verizon mutually
5 agreed that Verizon's POI would be at a
6 co-location, AT&T co-location, it would have at a
7 Verizon end office.

8 So the Verizon is going to hand its
9 traffic to AT&T at the Verizon end office. AT&T
10 has costs now to get that traffic from the
11 co-location back to our switch. Under current
12 rules, AT&T should be compensated by Verizon for
13 that transport.

14 MR. EDWARDS: Right.

15 MR. TALBOTT: Or, if Verizon didn't want
16 to pay that transport and wanted to put it on its
17 own network, it could do so by putting the POI at
18 the AT&T switch, and then it would reduce its
19 reciprocal compensation payment.

20 MR. EDWARDS: So, by requiring Verizon to
21 compensate AT&T for that transport, that makes the
22 switch the IP as Verizon has defined it in this

1 document?

2 MR. TALBOTT: Which switch?

3 MR. EDWARDS: The AT&T switch, where
4 Verizon's responsibility, financial responsibility,
5 would terminate.

6 MR. TALBOTT: When you look at the
7 obligations of the originating party, to originator
8 transport and terminate its traffic, in all cases,
9 regardless of who the party is, there is an
10 obligation to get your traffic to the terminating
11 switch, whether it's interconnection costs or recip
12 comp costs, they're inescapable. We all are going
13 to have them. If you're in a telephony
14 marketplace, you got to bear your own costs.
15 You're receiving the revenue, and from the revenues
16 you receive, you pay your network expenses, and
17 your recip comp expenses. It's inescapable.
18 That's the current rules we are operating under.
19 AT&T is proposing on its contract language that
20 Verizon adhere to these rules, as we have agreed to
21 do.

22 MR. EDWARDS: Let me ask you to look back

1 at your nonmediated direct, Mr. Talbott, page 17.

2 MR. TALBOTT: I'm at that page.

3 MR. EDWARDS: It's page 37.

4 MR. TALBOTT: Yes, sir.

5 MR. EDWARDS: You included what purports
6 to be a cost analysis of AT&T's proposal for
7 interconnection and Verizon's--in this instance, I
8 believe, GRIP, for interconnection; is that
9 correct?

10 MR. TALBOTT: Yes.

11 MR. EDWARDS: And I want to confirm with
12 you that under Verizon's proposal, you assumed that
13 AT&T would be required to lease transport from
14 Verizon at access rates; is that correct?

15 MR. TALBOTT: This proposal assumes that
16 both parties' transport costs are at access rates.

17 MR. EDWARDS: This proposal?

18 MR. TALBOTT: This study. Correct, this
19 study presumes that transport costs are at access
20 rates.

21 MR. EDWARDS: You agree with me that
22 access rates are higher than UNE rates?

1 MR. TALBOTT: Undoubtedly.

2 MR. EDWARDS: You're incorrect about
3 Verizon's proposal. With respect to the costs for
4 transport, you agree with me that your study here
5 would need to be revised?

6 MR. TALBOTT: Yes, and we have done so,
7 and it's available to the Verizon and/or to the
8 staff. I had an identical study using unbundled
9 network element rates which show substantial
10 decrease in those costs, although the allocation of
11 the costs to each party are still pretty
12 unbalanced.

13 Do you have something to add, John?

14 MR. SCHELL: Just a point of
15 clarification. You said this study, meaning these
16 results on page 37 would need to be redone, and
17 they are correct for Verizon's current special
18 access rates.

19 Now, if you're going to use a UNE-based
20 study, yes, it would have to be done.

21 MR. EDWARDS: I don't quibble with the
22 math done correctly with the access rates, but the

1 point is it may not be what it purports to be if
2 UNE rates are used and not access; correct?

3 MR. TALBOTT: The reason I used--

4 MR. EDWARDS: Am I correct about that?

5 MR. SCHELL: Yes, that part is correct.

6 MR. TALBOTT: The reason we use access
7 rates is under a different issue, which I wish I
8 had it under my fingertips; Verizon is proposing
9 that if we are going to transport to Verizon an
10 interconnection, we need access rates, and AT&T
11 proposed it be at UNE rates.

12 MR. EDWARDS: But, in fact, the table we
13 were looking at before where you used flat rate
14 transport rates, you were using UNE rates in that
15 table, weren't you?

16 MR. TALBOTT: I was making a different
17 point. The point I was making there is that
18 essentially that distance--Verizon's costs should
19 be distance incentive, which is a different matter
20 than what are the costs to AT&T if it's forced to
21 purchase transport on Verizon's behalf or Verizon's
22 traffic at access rates.

1 MR. EDWARDS: And the study used in UNE
2 rates that you just referred to, I don't remember
3 seeing that in either of your four pieces of
4 testimony, the revisions or the correction of last
5 night; is that fair?

6 MR. TALBOTT: I'm recalling in my rebuttal
7 testimony that we advised Verizon and the
8 Commission that it was available, but it did not
9 include it as an exhibit.

10 MR. EDWARDS: In fact, in your rebuttal
11 testimony, you did a similar analysis that's in
12 your direct testimony for the VGRIP proposal, and
13 at that time you used access rates; correct?

14 MR. TALBOTT: I would like to say the
15 study we did and attached, which was Exhibit 11 to
16 the rebuttal testimony was VGRIP, but I'm
17 uncertain. So, I made certain assumptions about
18 what it was, but I cannot say it was VGRIP, no. It
19 was a study based on if the Commission was
20 searching for a compromise on this issue, and would
21 say that Verizon's, quote, IP was at their tandem
22 rather than at their end office, what would be the

1 costs to AT&T, but I don't believe that's the VGRIP
2 proposal. The VGRIP proposal would still require
3 or allow Verizon to have its IP back to its
4 originating switch under many circumstances.

5 MR. EDWARDS: My question was, you still
6 used access rates; correct?

7 MR. TALBOTT: Yes.

8 MR. EDWARDS: Mr. Greco or Mr. Ball, I'm
9 not sure which of you is responsible for various
10 parts of your testimony, but I have a question on
11 your testimony, and whoever is responsible can
12 respond. Let me ask you to look at Exhibit 3,
13 which is--

14 MR. DYGERT: Could we take a brief break.
15 Is that all right?

16 MR. EDWARDS: Yes, sir.

17 (Brief recess.)

18 MR. KEFFER: During the break, I was
19 reminded of an oversight. I intended to distribute
20 prior to this panel's cross-examination an errata
21 sheet for the testimony of Mr. Talbott and
22 Mr. Schell. This was distributed to the parties

1 yesterday. I would like to mark it for
2 identification as AT&T Exhibit Number 30, and then
3 move that it be received into evidence. I
4 apologize for not doing that earlier this morning.

5 MR. EDWARDS: No objection.

6 MR. DYGERT: Great. We will admit it into
7 evidence.

8 (AT&T Exhibit No. 30 was
9 admitted into evidence.)

10 MS. KELLEY: And before we get going,
11 WorldCom also has a housekeeping matter. We
12 realized on the Joint Decision Point List the
13 WorldCom proposed language for issue I-1, which we
14 been discussing was inadvertently omitted. We will
15 correct the JDPL to reflect that, but I did provide
16 the Commission and Verizon and our witnesses with
17 that testimony, and I would like to mark that as
18 WorldCom Exhibit 39, just so we have it in front of
19 us in the record.

20 In particular, sections 1.1.2, 1.1.3.1,
21 and 1.3.1. And I put the whole section in the
22 document so you have context.

1 (WorldCom Exhibit No. 39 was
2 marked for identification.)

3 MS. KELLEY: And I would like to move for
4 its admission.

5 MR. DYGERT: Any objection to this
6 exhibit?

7 MR. EDWARDS: No objection.

8 MR. DYGERT: Thank you. It's also
9 received.

10 (WorldCom Exhibit No. 39 was
11 admitted into evidence.)

12 MR. EDWARDS: Mr. Greco and Mr. Ball,
13 before the break, I had I think referred you to
14 Exhibit 3, which is your nonmediation direct
15 testimony page 13--I don't remember whether I gave
16 you page or line number--page 13, line 11.

17 And again, on the same subject we have
18 been discussing this morning, I understand
19 WorldCom's position to be that it's not cost
20 justifiable in certain instances where the CLEC has
21 only minimal business to build a transport network;
22 is that WorldCom's position?

1 MR. BALL: Yes, I would just clarify that
2 that the question--that that answer should WorldCom
3 or any other CLEC be required to build all of all
4 of the interconnection facilities.

5 So I would keep the answer in the context
6 of the question.

7 MR. EDWARDS: Okay. Then let me ask you
8 to look at what Ms. Kelley just handed out as
9 Exhibit 39, and also in the context of
10 Mr. Talbott's answer later on today, is it
11 WorldCom's position that should it so choose, it
12 may have--it may choose to have only one POI per
13 LATA?

14 MR. BALL: Yes.

15 MR. EDWARDS: And if I understand 1.1.3.1,
16 where that POI is located is solely within MCI's
17 discretion?

18 MR. BALL: Yes.

19 MR. EDWARDS: Now, are we talking here
20 about MCI-WorldCom POI or the Verizon POI? Or is
21 that a distinction that you make?

22 MR. BALL: Well, in terms of our proposal

1 for the mid-span fiber meet, there is a
2 single--that mid-span fiber meet is the point of
3 interconnection, and it's for both parties to
4 exchange traffic, so I don't know if the--if
5 distinguishing the Verizon POI from the WorldCom
6 POI is relevant.

7 MR. EDWARDS: I don't understand this
8 language to be limited to mid-span fiber meet; so
9 am I incorrect?

10 MR. BALL: Yeah, you're right.

11 MR. EDWARDS: It's not limited?

12 MR. BALL: Right.

13 MR. EDWARDS: And so when there is a not a
14 mid-span fiber meet, does this language at all
15 address the Verizon POI?

16 MR. BALL: Well, I think the Verizon POI
17 would be determined by MCI.

18 MR. EDWARDS: Am I correct that what
19 you're talking about here is traffic originated on
20 either network?

21 MR. BALL: Yes.

22 MR. EDWARDS: Now, taking this language

1 back to your testimony on page 13, I asked
2 Mr. Talbott earlier with respect to AT&T whether
3 there was a threshold level of traffic at which
4 AT&T would commit to build additional facilities or
5 POI in addition to a single POI within a LATA. And
6 he said no. Is that also MCI/WorldCom's position?

7 MR. GRIECO: I don't think there is any
8 traffic threshold that would distinguish when we
9 would establish a new POI. In the case what you
10 were getting at earlier if we had a single
11 co-location in a Verizon tandem wire center that
12 was established as the POI where both parties
13 mutually exchanged traffic, there could become some
14 point where that cage would become exhausted and we
15 couldn't put any more equipment in there. At that
16 point you jointly plan for a new POI location
17 within the LATA.

18 MR. EDWARDS: So, you would only do it
19 when there is a facility exhaustion?

20 MR. GRIECO: That would be a driver that
21 would force us to make plans to establish a second
22 POI in the LATA.

1 MR. EDWARDS: Any other criteria
2 applicable to determining when a second POI might
3 be other than facility exhaustion?

4 MR. GRIECO: There could be various other
5 reasons. I don't have anything off the top of my
6 head right now. But we have multiple POIs in many
7 LATAs for various reasons.

8 MR. EDWARDS: So, in your testimony here,
9 would it have been more accurate to not use the
10 term minimal business, but to provide this
11 testimony in the context of facility exhaustion?

12 MR. BALL: Well, I think I'd go back to
13 the question which was--that that answer was
14 referring to, was should any CLEC be required to
15 build all of the interconnection facilities related
16 to exchange of traffic. I think they're two
17 separate issues.

18 MR. EDWARDS: If that's true, then,
19 Mr. Ball, then, I assume from what you're saying
20 that there is a level of business in a LATA where
21 WorldCom or CLEC should have to build all
22 interconnection facilities?

1 MR. BALL: No.

2 MR. EDWARDS: Then I don't understand how
3 the answer is related to the question. If the
4 question is--you keep going back to the question,
5 Mr. Ball, and it says required to build all
6 interconnection facilities and then you say it's
7 not justifiable to do so, although the answer is in
8 the context of the transport only when there is
9 only minimal business.

10 The question then is, is there a level of
11 business that you can achieve that would require
12 the CLEC to build all interconnection facilities?
13 The answer to that is no; right?

14 MR. BALL: Correct.

15 MR. EDWARDS: So, is there a level of
16 traffic other than traffic level that creates
17 facility exhaustion at which a CLEC should build
18 additional transport in a LATA if it only has a
19 single POI?

20 MR. GRIECO: Threshold in any
21 regulation--I mean we--

22 MR. BALL: I think our position would be

1 that that would be driven by individual network
2 efficiency considerations versus any kind of
3 overarching legal obligation.

4 MS. PREISS: Could you speak up and talk
5 into that mike. We can't hear you over here.

6 MR. BALL: And I think our experience at
7 Verizon where we've actually established these
8 types of interconnection arrangements over the last
9 five years has shown that to the extent these types
10 of network exhaust-type issues come up, there are
11 additional interconnection points that are
12 established. Our concern is having a very onerous
13 contractual obligation to establish additional
14 interconnection points at Verizon's request.

15 MR. EDWARDS: Okay. So, WorldCom's
16 position is it doesn't want to have a formula, for
17 example, that would require additional facilities?

18 MR. BALL: Well, our position is that
19 there are no legal obligation that requires
20 WorldCom to establish more than a single point of
21 interconnection.

22 But as a practical matter, there are

1 network exhaust issues that come up that do require
2 them.

3 MR. EDWARDS: Okay.

4 MS. FARROBA: What would those network
5 exhaust issues be?

6 MR. GRIECO: Well, like the case I pointed
7 out earlier, if the co-location cage where we had
8 the POI with Verizon had no more floor space, and
9 we couldn't put any more equipment in that cage, we
10 would have to get another cage or establish a
11 mid-span meet with Verizon elsewhere in the LATA to
12 continue to grow our network and to exchange
13 traffic with Verizon.

14 MS. FARROBA: What is AT&T's view on that?
15 Is there either an exhaust situation or some other
16 efficiency point where AT&T would build in an
17 additional point of interconnection?

18 MR. TALBOTT: That threshold is difficult
19 to specify because there are a substantial number
20 of factors that you take into consideration. But
21 wherever you have a concentration of customers, it
22 is often more efficient to move the POI closer to

1 that concentration of customers.

2 I think the point ought to be, though, it
3 should be the CLEC's choice, not Verizon's choice,
4 on how we would most efficient or how we should
5 serve those customers. The CLEC should be
6 determining what's efficient based on its network
7 design, and shouldn't be limited in the contract or
8 given that discretion to Verizon.

9 MS. FARROBA: You mentioned that there are
10 a set of factors you would consider. What are
11 those factors?

12 MR. TALBOTT: What our customer forecast
13 might be for how many lines we think we could sell
14 in that area. Do we have some right-of-way? Is
15 co-location space available in that office?
16 Special access rates versus UNE rates. Built-in
17 diversity.

18 MS. FARROBA: Thank you. And then I would
19 also like to get Cox's view on that issue as well.

20 DR. COLLINS: Cox does not disagree with
21 the views of WorldCom or AT&T, but we have in issue
22 I-4 developed a proposition that Cox is willing to

1 live with. Each carrier's network and network
2 efficiencies are different, so I think we have to
3 consider this on a case-by-case basis. Now I speak
4 of Cox's case.

5 And that is that Cox is willing to
6 establish a threshold which will result in removing
7 traffic from its POI to a series of IPs, depending
8 on the amount of traffic that flows to the end
9 offices where an IP would be located.

10 The proposal Cox has made in that regard,
11 I think is very generous. It's one-third of the
12 economically efficient network loading factor that
13 Cox would like to see, and, as we will find out,
14 Cox imposed a 3 DS1 level of level of traffic. We
15 did that so that there would be, hopefully, in our
16 opinion, no opportunity to argue against it. It's
17 such a giveaway from Cox to Verizon that we hope we
18 would get your approval with respect to it, and
19 that is what Cox--that is how Cox has come down on
20 the issue. We want to take a step in Verizon's
21 direction because of the way in which Cox's network
22 will be developed and is developed now. We have

1 more than done that, and that is our position.

2 MS. FARROBA: Thank you. I'm through for
3 now.

4 MR. EDWARDS: Dr. Collins, just to follow
5 up on that question, under the agreement with Cox,
6 there ends up being multiple IPs within a LATA;
7 correct?

8 DR. COLLINS: Yes. Cox--well, first of
9 all, let me answer that question by saying the
10 notion of an IP is something that Cox--is Verizon's
11 notion, and Cox accepted it as a result of
12 negotiating the contract and a lot of give and
13 take.

14 Having said that, Cox's proposition is to
15 follow Verizon's definition of IP and locate one at
16 every end office wherein that traffic is above the
17 3 DS1 level. So, there would be multiple IPs in
18 the LATA.

19 MR. EDWARDS: All right.

20 DR. COLLINS: But once again, that is a
21 scenario that is peculiar to Cox, peculiar to the
22 Cox network development, and we are silent on the